Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matters of)
Appropriate Framework for Broadband Access to the Internet over Wireline Facilities) CC Docket No. 02-33
Universal Service Obligations of Broadband Providers)))
Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services) CC Docket No. 01-337
Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services; 1998 Biennial Regulatory Review – Review of Computer III and ONA Safeguards and Requirements)) CC Docket Nos. 95-20, 98-10)
Conditional Petition of the Verizon Telephone Companies for Forbearance Under 47 U.S.C. § 160(c) with Regard to Broadband Services Provided Via Fiber to the Premises; Petition of the Verizon Telephone Companies for Declaratory Ruling or, Alternatively, for Interim Waiver with Regard to Broadband Services Provided Via Fiber to the Premises))))) WC Docket No. 04-242)))
Consumer Protection in the Broadband Era) WC Docket No. 05-271

BELLSOUTH'S COMMENTS ON PETITIONS FOR RECONSIDERATION AND/OR CLARIFICATION

BELLSOUTH CORPORATION

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BellSouth's Comments on Petitions for Reconsideration and/or Clarification CC Docket Nos. 02-33, 01-337, 95-20 and 98-10 WC Docket Nos. 04-242 and 05-271 December 29, 2005 Doc. No. 613070

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I. Introduction and Summary

BellSouth Corporation, on behalf of its wholly-owned affiliated companies

("BellSouth"), and pursuant to Section 1.429(f) of the Commission's Rules, files these comments

to the petitions filed by Verizon and the Arizona Corporation Commission ("ACC") seeking reconsideration or clarification of the Commission's *Title I Broadband Order*. ¹

In the *Title I Broadband Order* the Commission: (1) found that broadband Internet access services offered by incumbent local exchange carriers ("ILECs") are information services governed under Title I of the Communications Act of 1934, as amended ("the Act"); and (2) relieved ILECs of the *Computer Inquiry*² requirements as applied to broadband Internet access

Appropriate Framework for Broadband Access to the Internet over Wireline Facilities Universal Service Obligations of Broadband Providers, et al., CC Docket No. 02-33, et al, Report and Order and Notice of Proposed Rulemaking, FCC 05-150 (rel. Sept. 23, 2005 ("Title I Broadband Order" or "Order").

See Regulatory and Policy Problems Presented by the Interdependence of Computer and Communication Services and Facilities, Docket No. 16979, Notice of Inquiry, 7 FCC 2d 11 (1966) (Computer I NOI); Regulatory and Policy Problems Presented by the Interdependence of Computer and Communication Services and Facilities, Docket No. 16979, Final Decision and Order, 28 FCC 2d 267 (1971) (Computer I Final Decision), aff'd in part sub nom. GTE Service Corp. v. FCC, 474 F.2d 724 (2d Cir. 1973), decision on remand, 40 FCC 2d 293 (1973) (Computer I). Amendment of Section 64.702 of the Commission's Rules and Regulations (Computer II), 77 FCC 2d 384 (1980) (Computer II Final Decision), recon., 84 FCC 2d 50 (1980) (Computer II Reconsideration Order), further recon., 88 FCC 2d 512 (1981) (Computer II Further Reconsideration Order), aff'd sub nom. Computer and Communications Industry Ass'n v. FCC, 693 F.2d 198 (D.C. Cir. 1982) (CCIA v. FCC), cert. denied, 461 U.S. 938 (1983) (collectively referred to as Computer II); Amendment of Section 64.702 of the Commission's Rules and Regulations, CC Docket No. 85-229, Phase I, 104 FCC 2d 958 (1986) (Computer III Phase I Order), recon., 2 FCC Rcd 3035 (1987) (Computer III Phase I Reconsideration Order), further recon., 3 FCC Rcd 1135 (1988) (Computer III Phase I Further Reconsideration Order), second further recon., 4 FCC Rcd 5927 (1989) (Computer III Phase I Second Further Reconsideration Order); Phase I Order and Phase I Recon. Order vacated sub nom. California v. FCC, 905 F.2d 1217 (9th Cir. 1990) (California I); CC Docket No. 85-229, Phase II, 2 FCC Rcd 3072 (1987) (Computer III Phase II Order), recon., 3 FCC Rcd 1150 (1988) (Computer III Phase II Reconsideration Order), further recon., 4 FCC Rcd 5927 (1989) (Phase II Further Reconsideration Order); Phase II Order vacated, California I, 905 F.2d 1217 (9th Cir. 1990); Computer III Remand Proceeding, CC Docket No. 90-368, 5 FCC Rcd 7719 (1990) (ONA Remand Order), recon., 7 FCC Rcd 909 (1992), pets. for review denied sub nom. California v. FCC, 4 F.3d 1505 (9th Cir. 1993) (California II); Computer III Remand Proceedings: Bell Operating Company Safeguards and Tier 1 Local Exchange Company Safeguards, CC Docket No. 90-623, 6 FCC Rcd 7571 (1991) (BOC Safeguards Order), BOC Safeguards Order vacated in part and remanded sub nom. California v. FCC, 39 F.3d 919 (9thCir. 1994) (California III), cert. denied, 514 U.S. 1050 (1995); Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services, CC Docket No. 95-20, Notice of Proposed Rulemaking, 10 FCC Rcd 8360 (1995) (Computer III Further Remand Notice), Further Notice of Proposed Rulemaking, 13 FCC Rcd 6040 (1998) (Computer III Further Remand Further

service, including the "obligation to offer the transmission component of the wireline broadband Internet access service on a stand alone common carrier basis." The *Order*, however, limited the application of the relief to broadband Internet access services and did not extend it to other stand alone broadband transmission services, such as ATM and Frame Relay, to the extent those services are not used for Internet access. The *Order* provided other relief that is not at issue in this pleading.

Subsequently, Verizon and the ACC filed petitions requesting that the Commission reconsider or clarify certain provisions in the *Title I Broadband Order*. As explained in greater detail below, BellSouth supports Verizon's Petition for Limited Reconsideration of *Title I Broadband Order* ("Verizon Petition" or "Verizon's Petition") and opposes the Petition of the ACC for Clarification and/or Reconsideration ("ACC Petition").

II. The Commission Should Grant Verizon's Petition

Verizon requests that the Commission reconsider the narrow application of the *Title I Broadband Order* by holding that "stand-alone broadband transmission services may be offered on a private carriage basis under Title I, regardless of whether they are sold as part of an Internet access service." The Commission should grant Verizon's Petition.

Notice); Report and Order, 14 FCC Rcd 4289 (1999) (Computer III Further Remand Order), recon., 14 FCC Rcd 21628 (1999) (Computer III Further Remand Reconsideration Order); see also Further Comment Requested to Update and Refresh Record on Computer III Requirements, CC Dockets Nos. 95-20 & 98-10, Public Notice, 16 FCC Rcd 5363 (2001) (asking whether, under the open network architecture (ONA) framework, information service providers can obtain the telecommunications inputs, including digital subscriber line (DSL) service, they require) (collectively referred to as Computer III). Computer I, Computer II and Computer III are referred to as the Computer Inquiries.

Order, \P 86.

Verizon's Petition at 7.

A. Broadband Transmission Services Do Not Warrant Common Carrier Regulation

The rationale for Verizon's request is the improper continuation of common carrier status on broadband transmission services that are used for purposes other than Internet access.

Pursuant to the standard adopted by the Commission in imposing common carrier regulation on a service, the record in the *Title I Broadband Order* proceeding fully supports the treatment of other broadband transmission services on a non-common carrier basis. Common carrier status is applicable only when the carrier voluntarily chooses to operate as a common carrier or the services offered are appropriately subject to common carrier obligations. As Verizon discusses, however, the Commission's imposition of common carrier status is "justified only to prevent an abuse of market power." Indeed, the Commission's view on "[w]hether [it] should require that a service be offered on a common-carrier basis turns, under Commission precedents, on whether such a requirement is needed in order to prevent the exercise of market power." Verizon's Petition fully demonstrates the Commission's consistent application of this principle.

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Id. at 8. Verizon cites numerous Commission decisions and D.C Circuit cases to support its position. BellSouth will not repeat that analysis.

Peter W. Huber, Michael K. Kellogg, John Thorne & Evan Leo, Federal Telecommunications Law, 2d ed., 2005 Cumulative Supplement: Broadband Unbound, § 3.6.2 (citations omitted).

BellSouth will not repeat the analysis set forth in Verizon's Petition regarding the Commission's long standing position of applying common carrier status only where the carrier possesses market power. See generally AT&T Submarine Systems, Inc.; Application for a License to Land and Operate a Digital Submarine Cable System Between St. Thomas and St. Croix in the U. S. Virgin Islands, File No. S-C-L-94-006, Memorandum and Order, 13 FCC Rcd 21585, 21589, ¶ 9 ("[T]he focus of our inquiry here is whether the license applicant has sufficient market power to warrant regulatory treatment as a common carrier."), aff'd, Virgin Islands Tel. Corp. v. FCC, 198 F.3d 921 (D.C. Cir. 1999); Computer & Commc'ns Indus. Assoc. v. FCC, 693 F.2d 198 (D.C. Cir. 1982); Wold Commc'ns, Inc. v. FCC, 735 F.2d 1465 (D.C. Cir. 1984); Southwestern Bell Tel. Co. v. FCC, 19 F.3d 1475 (D.C. Cir. 1994).

In fact, the Commission emphasized this point in a rulemaking proceeding initiated more than 20 years ago. ⁸ In the *FNPRM* in that proceeding, the Commission undertook an examination of the history of the common law principles of common carriage and concluded that "monopoly control over services regarded as essential to the public welfare formed the basis for imposing common carrier obligations upon businesses." The Commission concluded that "the common law test for communications enterprises upon which public service duties were imposed is generally whether the service is affected with the public interest and specifically whether it has monopoly control over an essential service of (sic) facility." As Verizon's Petition demonstrates, this policy position expressed in the *FNPRM* has been applied consistently throughout the Commission's application of common carrier regulation over a carrier's services.

The reason for this policy is self-evident. The lack of market power necessitates that the Commission allow competition – not regulation – to govern the market. ¹¹ Unneeded regulation only serves to distort market forces and introduces results that are clearly contrary to the public interest, as the Commission recognized in *Title I Broadband Order*. The *Order* underscored that

Policy and Rules Concerning Rates for Competitive Common Carrier Services and Facilities Authorizations Therefor, CC Docket No. 79-252, Further Notice of Proposed Rulemaking, 84 FCC 2d 445 (1981) ("FNPRM"). BellSouth recognizes that the FNPRM is not binding on the Commission but it expresses the Commission's early position on common carrier regulation that the Commission has applied in the orders and cases cited in Verizon's Petition and in footnote 7, supra.

⁹ *FNPRM*, 84 FCC 2d at 520, App. B., ¶ 1.

Id. at 534, App. B, ¶ 47.

See, e.g., Policy and Rules concerning Rates for Competitive Common Carrier Services and Facilities Authorizations Therefor, CC Docket No. 79-252, First Report and Order, 85 FCC 2d 1, 16, ¶¶ 38-39 (1980) (in relaxing some of the tariff filing requirements for nondominant carriers, the Commission noted that it was "exercising the power Congress delegated to us to resolve the problems confronting us as they actually exist in order to permit communications services to be produced efficiently and offered at the most reasonable prices possible.").

the transmission services used to provide ILECs' broadband Internet access service are no different than the transmission used by numerous other facilities-based providers of broadband Internet access services, such as cable modem providers. Yet, ILECs were the only entities subject to the common carrier obligations of having to offer the transmission as a stand alone telecommunications service, which imposed on ILECs a regulatory disadvantage that was not shared by any of the ILECs' competitors. The results of these asymmetric common carrier obligations manifested themselves in increased costs, which "diminish[ed] a carrier's incentive and ability to invest in and deploy broadband infrastructure investment." ¹²

The disincentive to invest in and deploy broadband infrastructure was clearly an unintended market condition that resulted from unnecessary regulation. The *Title I Broadband Order* explained in great detail the dynamic nature of the broadband Internet access market, not only competitively but also technologically, which led the Commission to conclude that the common carrier regulation historically attached to ILEC broadband Internet access services over the years was no longer necessary. The Commission's reasoning applies equally to stand alone broadband transmission services. ¹³

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Title I Broadband Order, ¶ 44; see also id. ¶ 79 n.241 ("Continued Computer Inquiry obligations could have a chilling impact not only on the continued deployment of wireline broadband infrastructure, but on other new and innovative technologies."). In the First Report and Order, the Commission noted that its "ultimate purpose," as defined in Section 1 of the Act

and Order, the Commission noted that its "ultimate purpose," as defined in Section 1 of the Act, is "to make available, so far as possible, to all the people of the United States a rapid, efficient . . . communication service with adequate facilities at reasonable charges", 85 FCC 2d at 13, ¶ 32 (quoting 47 U.S.C. § 151). According to the Commission, "So long as our regulation imposes costs on some firms, and thus on the public, not exceeded by the benefits generated thereby, the provision of communications service by those firms can never be as 'efficient' nor can the charges be as 'reasonable' as they might be in the absence of such artificial costs." *Id.*

Title I Broadband Order, ¶ 79 ("The following factors guide us toward replacing the Computer Inquiry obligations for wireline broadband Internet access service providers with a less regulatory framework: the increasing integration of innovative broadband technology into the existing wireline platform; the growth and development of entirely new broadband platforms;

B. The Record Supports a Finding That No Carrier Possesses Market Power Over Other Broadband Transmission Services

The same analysis that the Commission followed in finding that the transmission services for broadband Internet access should not be subject to common carrier regulations applies to other stand alone transmission services. That is, common carrier status should apply to those services only if carriers possess market power over them, which, as the Verizon Petition demonstrates, is not the case for stand alone broadband transmission services.

Just as with broadband Internet access services, other stand alone broadband transmission services, such as ATM and Frame Relay, face significant competition. As Verizon's Petition demonstrates, and the evidence before the Commission confirmed, the broadband transmission market is competitive, and no carrier possesses market power in the provision of stand alone broadband transmission services. Accordingly, based on the competitiveness of the broadband market, the same analysis the Commission conducted for wireline broadband Internet access services should apply to other broadband transmission services and should yield the same result for those services that the Commission reached for broadband Internet access – lifting common carrier classification. Thus, the Commission should grant Verizon's Petition for reconsideration of the *Title I Broadband Order* and extend Title I private carriage treatment to stand alone broadband transmission services, such as ATM and Frame Relay.

the flexibility to respond more rapidly and effectively to new consumer demands; and our expectation of the availability of alternative competitive broadband transmission to the currently required wireline broadband common carrier offerings. . . . Fulfilling our statutory obligations and policy objectives to maximize the acceleration of all types of broadband infrastructure deployment no longer requires a Commission-mandated wholesale wireline broadband Internet access transmission market.").

Verizon's Petition at 4-6.

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III. The Commission Should Deny the ACC's Petition

The ACC requests reconsideration on two points. First, the ACC asks the Commission to find that "to the extent that VoIP [voice over Internet protocol] is combined with DSL, the combined offer should be classified as a telecommunications service." Second, the ACC seeks reversal of the Commission's finding to relieve stand alone broadband Internet access transmission services of common carrier obligations. Both requests should be denied.

A. A Combined Offering of DSL and VoIP Does Not Constitute a Telecommunications Service

The Commission must deny the ACC's request regarding VoIP services as a matter of law. The Commission's *Notice of Proposed Rulemaking* ("*NPRM*")¹⁶ in the *Title I Broadband Order* proceeding did not address the regulatory classification of VoIP services. Pursuant to the provisions of the Administrative Procedures Act ("APA") the Commission cannot act on the ACC's request to classify VoIP as a telecommunications service, regardless of whether it is combined with DSL or provided as an application over the Internet.¹⁷ While the Commission has determined VoIP to be an interstate service, it has not defined it as being either a telecommunications or an information service.¹⁸ Indeed, the Commission has implemented a

ACC Petition at 6.

Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers, CC Docket No. 02-33, Notice of Proposed Rulemaking, 17 FCC Rcd 3019 (2002) ("Wireline Broadband NPRM").

⁵ U.S.C. § 553(b) and (c) (the APA requires that a "[g]eneral notice of proposed rule making shall be published in the Federal Register" and that "[a]fter notice required by this section, the agency shall give interested persons an opportunity to participate in the rule making through submission[s].").

Declaring VoIP to be a telecommunications service through a reconsideration order within this proceeding would exercise Title II jurisdiction over VoIP and implement an entirely

separate proceeding to resolve the regulatory classification of IP services, among other matters. ¹⁹ It would not only violate the APA to rule on VoIP classification in this proceeding, but doing so also would prejudge any determination the Commission may reach in the *IP-Enabled Services* docket.

Ignoring the *IP-Enabled Services* proceeding, however, the ACC contends that an integrated VoIP and DSL offering does not include "information-processing capabilities" but instead is "the functional equivalent of a telecommunications services." The ACC then concludes that "since VoIP is the functional equivalent of telecommunications service, the combined service (DSL plus VoIP) should be classified as a telecommunications service." Thus, ACC dismisses hundreds, if not thousands, of pages of the record in the *IP-Enabled Services* proceeding that discusses the capabilities and functions of VoIP²² and summarily concludes that because it is similar to a circuit switched voice call it should receive the same regulatory classification. This position is clearly unmerited. The Commission cannot base the regulatory classification of VoIP on the limited conclusion that because it is functionally equivalent to a telecommunications service it must also be a telecommunications service. The

new regulatory regime over the service – a clear violation of the APA. *See Sprint Corp. v. FCC*, 315 F.3d 369, 374 (D.C. Cir. 2003); *see also United States Telecom Ass'n v. FCC*, 400 F.3d 29 (D.C. Cir. 2005).

¹⁹ *IP-Enabled Services*, WC Docket No. 04-36.

ACC Petition at 5.

²¹ *Id*.

BellSouth will not burden the Commission with reproducing the record found in the *IP-Enabled Services* proceeding that discusses the numerous capabilities of VoIP, many of which include information processing. As BellSouth discussed in its comments and other documents entered into the record, the capabilities of most VoIP services clearly meet the definition of an information service regardless of how the service is provided to the customer, i.e., as an application over the Internet or as a combined offering with a stand alone broadband transmission service.

Commission has never entertained such unsound regulatory practices in the past and should not start now. As BellSouth stated previously, any ruling regarding the regulatory classification of VoIP, whether as an application over the Internet or a combined offering with DSL, should and must be made in the *IP-Enabled Services* proceeding where a proper record exists.

B. Common Carrier Regulation Has Been Properly Eliminated From Stand Alone Transmission Services Used in the Provision of Broadband Internet Access

The ACC argues that the Commission should reverse its decision to remove common carrier obligations for stand alone transmission service used to provide broadband Internet access service because, according to the ACC, common carrier status is strictly contingent on an "offering" of a service to the public that allows the customer to "transmit intelligence of their own design and choosing." However, this argument misses the mark by overlooking the critical inquiry in common carrier analysis – that is, the presence of market power as discussed above. Indeed, the Commission must deny ACC's Petition to apply common carrier status to stand alone transmission service used to provide broadband Internet access services for the same reasons that it should grant Verizon's Petition to remove common carrier status from all stand alone broadband transmission services.

As discussed above, and as Verizon fully discusses in its Petition, "common carriage treatment cannot be imposed absent the presence of market power with respect to such services."²⁴ The Commission discussed in great detail the significant competitive and

ACC Petition at 7, citing Nat'l Ass'n of Regulatory Util. Comm'rs v. FCC, 525 F.2d 630 (D. C. Cir. 1976) ("NARUC I") & Nat'l Ass'n of Regulatory Util. Comm'rs v. FCC, 533 F.2d 601 (D.C. Cir. 1976) ("NARUC II").

Verizon's Petition at 8.

technological changes that have occurred in the broadband Internet access market. Based on

these changes it concluded that "recalibrating regulation" was appropriate and that requiring an

ILEC to "make available its [stand alone] transmission [service] on a common carrier basis is

neither necessary nor desirable."²⁵ Thus, based on the competitive broadband market, the

Commission correctly concluded that common carrier regulation was not needed to protect the

market²⁶ The ACC does not point to any contrary evidence or offer any additional evidence that

the broadband Internet access market, including the transmission component used to provide the

service, is not competitive or that ILECs have market power over the service. Based on

Commission precedent, therefore, the Commission must, as a matter of law, deny ACC's

Petition.

As to ACC's claims that the mere "holding out" of services requires the Commission to

impose common carrier regulation over those services without discretion, the ACC is mistaken.

The Commission's position as discussed above has long been to view the imposition of common

carrier regulation with discretion based on market power. As the Commission expressed in the

FNPRM when discussing the *NARUC I* decision:

We cannot conclude, then, that Congress foreclosed administrative discretion to impose common carrier obligations or to refrain from

imposing such obligations upon entities subject to our Title I jurisdiction by virtue of their "public" offering of communications service. Nor can we conclude that a market power standard cannot be employed as the basis

upon which we exercise that discretion.²⁷

25 Title I Broadband Order, \P 79.

Id. ¶ 76 n.334 ("NARUC I provides no support for claims that the transmission component of facilities-based wireline broadband Internet access service is, or must be found to

be, a telecommunications service.").

FNPRM, 84 FCC 2d at 468-69, ¶ 62.

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Clearly, the Commission's policy position over common carrier regulation has been, and continues to be, one of discretion and not a strict adherence to a "holding out" standard.

Finally, the ACC takes issue with the fact that under the Commission's *Order*, some broadband stand alone transmission services will be offered under common carrier regulation, e.g., ATM and Frame Relay, while others will be treated as private carriage, e.g., stand alone transmission for broadband Internet access. The ACC points out that the common carrier services "are no different than xDSL when it is unbundled from the Internet access function." The answer to this argument is not to re-regulate stand alone transmission services used for broadband Internet access on a common carrier basis, as the ACC proposes, but rather to grant Verizon's Petition that all broadband transmission services should be under private carriage given the absence of market power. However, even if the Commission chooses to deny Verizon's Petition, which it should not, the fact that different transmission services would be regulated differently is no basis for the Commission re-regulating stand alone broadband Internet access transmission services. The law is clear that a carrier may be a common carrier for some services and not for others.²⁹

Doc. No. 613070

²⁰

ACC Petition at 7.

See Southwestern Bell, 19 F.3d at 1481; Verizon's Petition at 12.

Conclusion

For the reasons set forth herein, the Commission should grant Verizon's Petition and

extend Title I private carriage regulation to other stand alone broadband transmission services.

Moreover, the Commission should deny ACC's request to classify VoIP combined with DSL as

a telecommunications service and to apply common carriage regulation to stand alone broadband

Internet access transmission services.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that I have this 29th day of December 2005 served the following with a copy of the foregoing **BELLSOUTH'S COMMENTS ON PETITIONS FOR**

RECONSIDERATION AND/OR CLARIFICTION via electronic filing and/or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed below.

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